

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02 FRB-01 OMB-01

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R 300101Z MAY 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 5199

INFO USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY TAIPEI

UNCLAS HONG KONG 5961

FOLLOWING TELEGRAM SENT USDA/FAS WASHDC MAY 29, 1975, FROM
AGRICULTURAL OFFICE HONG KONG, REPEATED TO YOU. QUOTE
UNCLAS HONG KONG 5937

TOFAS 98

FOR FCA, COTTON DIVISION: AND IMD, COTTON
FROM AGRICULTURAL OFFICER

E.O. 11652: N/A

TAGS: EAGR, CH

SUBJECT: PRC STRENGTHENING POSITION IN HONG KONG COTTON IMPORT MARKE
T

REF: (A) HK 2955

(B) HK 2650

1. IN FIRST 2 MONTHS OF CY 1975, PRC HAS MOVED INTO FOURTH PLACE
AMONG 16 SUPPLIERS OF RAW COTTON INTO HONG KONG WITH TOTAL EXPORTS OF
2,205 METRIC TONS (9,722 RUNNING BALES OF 500 POUNDS EACH) WITH CIF
VALUE OF HK\$10.9 MILLION. UNITED STATES IN FIFTH PLACE WITH 2,139
M.T. (9,431 RUNNING BALES) BUT SLIGHTLY HIGHER VALUE OF HK\$11.6
MILLION. (THESE DATA ARE OFFICIAL HKG STATISTICS.)

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2. COMMENT: CHINA OPENED ITS COTTON EXPORT EFFORT IN NOVEMBER 1974
WITH SHIPMENT OF TWO (SIC) METRIC TONS, INCREASING TO 557 M.T. IN

DECEMBER, 657 M.T. IN JANUARY 1975 AND 1,548 M.T. IN FEBRUARY. THIS TREND NOTED IN REFS A AND B. ALTHOUGH PRC ACCOUNTED FOR ONLY 8.2 PERCENT OF IMPORTS THUS FAR, HONG KONG'S TOTAL RAW COTTON IMPORTS IN JAN-FEB 1975 ARE RUNNING 43 PERCENT AHEAD OF 1974 (WHICH APPEARS SURPRISING IN VIEW OF DEPRESSED TEXTILE EXPORT MARKETS).

3. PEKING EFFORT TO INCREASE RAW COTTON EXPORTS TO HONG KONG RECEIVED COVERAGE IN HONG KONG'S SOUTH CHINA MORNING POST (SCMP) OF MAY 21, 1975. IT SAID THAT CHINA HAD CANCELLED SOME U.S. ORDERS BECAUSE OF (A) BUMPER HARVESTS AND (B) DEPRESSED WORLD TEXTILE TRADE. REPORT ALSO NOTED THAT SALE NEGOTIATED AT RECENT CANTON FAIR WHERE "MEDIUM-GRADE" CHINESE COTTON SOLD TO HONG KONG AT US\$0.50 PER POUND (C&F) COMPARED TO US FOB PRICE OF US\$0.48 PER POUND. ORIGIN OF COTTON CLAIMED TO BE SHANTUNG PROVINCE.

4. CHINA NORMALLY PREFERS EXPORT YARN, FABRIC AND OTHER FINISHED TEXTILE GOODS, BUT RECENT WORLD MARKET DEVELOPMENTS, COMBINED WITH DOMESTIC SUPPLY SITUATION AND IMPORT COMMITMENTS, APPEAR TO HAVE BEEN IMPORTANT FACTORS IN REVERSAL OF TRADITIONAL ROLES. (SEE REFS A AND B FOR FURTHER BACKGROUND).

5. SPECIFIC EXAMPLES OF SHARP REVERSES IN TRADE EARNINGS SUFFERED BY PRC IN HONG KONG MARKET INCLUDE FOLLOWING: IN CY 1973 THE VALUE OF PRC'S EXPORTS OF TEXTILE YARN AND THREAD (MOSTLY COTTON) INCREASED BY 176 PERCENT OVER CY 1972; IN CY 1974, VALUE DECLINED BY 46 PERCENT. ALSO: PRC'S EXPORTS OF WOVEN COTTON FABRICS TO HONG KONG IN CY 1973 INCREASED BY 72 PERCENT OVER CY 1972, BUT DROPPED SHARPLY--ALSO BY 46 PERCENT--IN CY 1974. THE EFFECT ON CHINA'S HARD-CURRENCY FOREIGN EXCHANGE EARNINGS IS APPARENT. THIS NEW TREND OF PRC RAW COTTON EXPORTS HAS ATTENDANT DEVELOPMENTS THUS SUPPORTS AG OFFICE EARLIER INTERPRETATIONS OF WHAT WAS BEHIND CANCELLATION OF U.S. COTTON PURCHASE EARLIER THIS YEAR.

6. ALSO OF INTEREST IS HONG KONG' PURCHASE OF COTTON YARN FROM CHINA DURING RECENT CANTON FAIR AT PRICES 19 PERCENT BELOW THOSE IN HONG KONG (I.E. AT HK\$1,250 PER BALE FOR JUNE-JULY DELIVERY VS HK\$1,550). IF TREND IN PURCHASING PRC COTTON AND YARN CONTINUES (TOGETHER WITH RECENT PURCHASES OF PAKISTANI YARN--25,000 BALES UNCLASSIFIED UNCLASSIFIED

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OF WHICH JUST ARRIVED, WITH PROBABLY MORE TO ARRIVE LATER), OUTLOOK FOR SALES OF U.S. RAW COTTON TO HONG KONG THIS YEAR MAY NOT IMPROVE AS RAPIDLY AS OUTLOOK IMPROVES FOR EXPORT OF COTTON TEXTILES FROM HONG KONG.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, IMPORTS, MARKET SHARE REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975HONGK05961
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750189-0375
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975056/aaaaafbx.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 HK 2955
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 05 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 AUG 2003 by BalzMJ>; APPROVED <23 JAN 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRC STRENGTHENING POSITION IN HONG KONG COTTON IMPORT MARKE T
TAGS: ETRD, CH, HK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006